- 1 SB459
- 2 160888-3
- 3 By Senators Reed, Bussman, Waggoner and Marsh
- 4 RFD: Health
- 5 First Read: 11-MAR-14

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4 <u>ENROLLED</u>, An Act,

Relating to the Medicaid Agency; to amend Sections 22-6-151, 22-6-153, 22-6-155, 22-6-163, and 22-6-164, Code of Alabama 1975; to revise the membership of and eliqibility requirements for the governing board of directors of a regional care organization; to authorize the board of directors of a regional care organization to appoint an executive committee and other committees to take certain authorized action; to provide for the membership of an executive committee; to require each regional care organization to create a provider standards committee to review and develop performance standards and quality measures; to provide for approval of the standards by the Medicaid Quality Assurance Committee; to require the Medicaid Agency to, by rule, establish the minimum reimbursement rate for providers pursuant to certain methodologies; to provide for the review of provider contracts by the Medicaid Agency; to establish procedures for the review of contracts upon the request of dissatisfied providers; to require the Medicaid Agency to adopt rules regarding the review of agreements and contracts by the contract dispute committee; to specify that all agreements and contracts of regional care organizations

L	that have received probationary or final certification are
2	subject to review or approval by the Medicaid Agency; and to
3	further provide for the rulemaking authority of the Medicaid
1	Agency in the administration of the Alabama Medicaid Program.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 22-6-151, 22-6-153, 22-6-155, 22-6-163, and 22-6-164, Code of Alabama 1975, are amended to read as follows:

"\$22-6-151.

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- "(a) A regional care organization shall serve only Medicaid beneficiaries in providing medical care and services.
- "(b) Notwithstanding any other provision of law, a regional care organization shall not be deemed an insurance company under state law.
 - "(c)(1) A regional care organization and an organization with probationary regional care organization certification shall have a governing board of directors composed of the following members:
 - "a. Twelve members shall be persons representing risk-bearing participants in the regional care organization or organization with probationary certification. A participant bears risk by contributing cash, capital, or other assets to the regional care organization. A participant also bears risk by contracting with the regional care organization to treat Medicaid beneficiaries at a capitated rate per beneficiary or

to treat Medicaid beneficiaries even if the regional care organization does not reimburse the participant.

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"b. Eight members shall be persons who do not represent a risk-bearing participant in the regional care organization. Of these eight members, five members shall be medical professionals who provide care to Medicaid beneficiaries in the region. Three of these members shall be primary care physicians, one an optometrist, and one a pharmacist. One primary care physician shall be from a Federally Qualified Health Center appointed jointly by the Alabama Primary Health Care Association and the Alabama Chapter of the National Medical Association and the other two primary care physicians shall be appointed by a caucus of county boards of health in the region the Medical Association of the State of Alabama, or its successor organization. The optometrist shall be appointed by the Alabama Optometric Association, or its successor organization. The pharmacist shall be appointed by the Alabama Pharmacy Association, or its successor organization. All five medical professionals shall work in the region served by the regional care organization. None of these members shall be a risk-bearing participant in the regional care organization or be an employee of a risk-bearing participant, but these members may contract with the regional care organization on a fee-for-service basis.

1	"c. Three <u>of the eight</u> members shall be community
2	representatives as follows: 1. The chair of the citizens'
3	advisory committee established pursuant to subsection (d). 2.
4	Another citizens' advisory committee member, elected by the
5	committee, who is a representative of an organization that is
6	part of the Disabilities Leadership Coalition of Alabama or
7	Alabama Arise, or their successor organizations. 3. A business
8	executive, nominated by a chamber of commerce in the region,
9	who works in the region. These members may not be risk-bearing
10	participants in the regional care organization or employees of
11	a risk-bearing participant.

- "(2) A majority of the members of the board may not represent a single type of provider; however, such as hospitals or doctors engaged in medical practice. this shall not apply to a regional care organization if only one entity offers to be a risk-bearing participant as defined in paragraph (c) (1) a. Any provider shall meet licensing requirements set by law, shall have a valid Medicaid provider number, and shall not otherwise be disqualified from participating in Medicare or Medicaid.
- "(3) The Medicaid Agency shall have the power to approve the members of the governing board and the board's structure, powers, bylaws, or other rules of procedure. No organization shall be granted probationary regional care

organization certification or full regional care organization certification without approval.

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- "(4) The regional care organization, the caucus of county boards of health in the region, the citizens' advisory committee, and the optometric, and pharmacy associations shall promptly fill any vacancy on the board of directors. Any vacancy on the governing board of directors in connection with members appointed as described in paragraph (c) (1)b. or (c) (1)c. shall be filled by the appropriate authority as designated in that subsection. A vacancy in a board of directors' seat held by a representative of a risk-bearing participant as defined in paragraph (c) (1)a., shall be filled by the regional care organization. Notwithstanding other provisions of this subsection, the Medicaid Commissioner shall fill a board seat left vacant for at least three months.
- "(5) The governing board may not take any action unless at least one physician appointed by a caucus of county boards of health in the region, who does not represent a risk-bearing participant and who does not hold one of the three seats held by community representatives, votes on the prevailing side. The governing board may, by resolution adopted by a majority of the directors, appoint an executive committee, which shall consist of two or more directors, who may have such authority and take such action as authorized by the governing board and consistent with state law; provided,

however, any at-risk provider type shall be represented on the 1 executive committee. The governing board shall set policy and 2 direction for the regional care organization and the executive 3 committee shall execute the policies established by the 4 governing board. The governing board may also appoint such 5 other committees as are consistent with Alabama law. All 6 actions of the executive committee and all other committees 7 8 shall be reported to the governing board. At least one member of an executive committee and any other committee shall be one 9 10 of the physicians appointed to the board by the Medical 11 Association of the State of Alabama pursuant to subsection 12 (c)(1)b.

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"(6) The membership of the governing board of directors shall be inclusive and reflect the racial, gender, geographic, urban/rural, and economic diversity of the region All appointing authorities for the governing board and the executive committee shall coordinate their appointments so that diversity of gender, race, and geographical areas is reflective of the makeup of the region.

"(d) A citizen's advisory committee shall advise the organization on ways the organization may be more efficient in providing quality care to Medicaid beneficiaries. In addition, an advisory committee shall carry out other functions and duties assigned to it by a regional care organization and approved by the Medicaid Agency. Each regional care

organization shall have a citizens' advisory committee, as
shall an organization seeking to become a regional care
organization, which membership shall be inclusive and reflect
the racial, gender, geographic, urban/rural, and economic
diversity of the state. The committee shall meet all of the
following criteria:

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- "(1) Be selected in a method established by the organization seeking to become a regional care organization, or established by the regional care organization, and approved by the Medicaid Agency.
- "(2) At least 20 percent of its members shall be Medicaid beneficiaries or, if the organization has been certified as a regional care organization, at least 20 percent of its members shall be Medicaid beneficiaries enrolled in the regional care organization.
- "(3) Include members who are representatives of organizations that are part of the Disabilities Leadership Coalition of Alabama or Alabama Arise, or their successor organizations.
- "(4) Include only persons who live in the Medicaid region the organization plans to serve; or if the organization has become a regional care organization, include only persons who live in the Medicaid region served by the regional care organization. The membership of the committee shall be

1	inclusive	and	reflect	the	racial,	gende	er,	geographic,
2	urban/rura	1, a	and econo	omic	diversit	y of	the	region.

"(5) Elect a chair.

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- "(6) Meet at least every three months.
- "(e)(1) Each regional care organization shall meet minimum solvency and financial requirements as provided in this subsection. The Medicaid Agency shall require a regional care organization, as a condition of certification or continued certification, to maintain minimum financial reserves at the following levels:
- "a. Restricted reserves of two hundred fifty thousand dollars (\$250,000) or an amount equal to 25 percent of the regional care organization's total actual or projected average monthly expenditures, whichever is greater.
- "b. Capital or surplus, or any combination thereof, of two million five hundred thousand dollars (\$2,500,000).
- "(2) Instead of maintaining the financial reserves required in subdivision (1), a regional care organization that has entered into a risk contract with the Medicaid Agency may submit to the agency a written guaranty in the form of a bond issued by an insurer, in an amount equal to the financial reserves that would otherwise be required of the regional care organization under subdivision (1), to guarantee the performance of the provisions of the risk contract. The bond shall be issued by an insurer authorized in this state and

L	approved by the Medicaid Commissioner. No assets of the
2	regional care organization shall be pledged or encumbered for
3	the payment of the performance bond.

- "(f) A regional care organization shall provide such financial reports and information as required by the Medicaid Agency.
- "(g) A regional care organization shall report all data as required by the Medicaid Agency, consistent with the federal Health Insurance Portability and Accountability Act (HIPAA).
- "(h) Each regional care organization shall create a provider standards committee which shall review and develop the performance standards and quality measures required of a provider by the regional care organization. The performance standards and quality measures shall be subject to the approval of the Medicaid Quality Assurance Committee established in Section 22-6-154. At least 60 percent of the members of the provider standards committee shall be physicians who provide care to Medicaid beneficiaries served by the regional care organization. The regional care organization medical director shall serve as chairperson of the provider standards committee. No more than 50 percent of the members shall reside in one county of the region.

"\$22-6-153.

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"(a) Subject to approval of the federal Centers for
Medicare and Medicaid Services, the Medicaid Agency shall
enter into a contract in each Medicaid region for at least one
fully certified regional care organization to provide,
pursuant to a risk contract under which the Medicaid Agency
makes a capitated payment, medical care to Medicaid
beneficiaries. However, the Medicaid Agency may enter into a
contract pursuant to this section only if, in the judgment of
the Medicaid Agency, care of Medicaid beneficiaries would be
better, more efficient, and less costly than under the then
existing care delivery system. The Medicaid Agency may
contract with more than one regional care organization in a
Medicaid region. Pursuant to the contract, the Medicaid Agency
shall set capitation payments for the regional care
organization.

- "(b) The Medicaid Agency shall enroll beneficiaries into regional care organizations. If more than one regional care organization operates in a Medicaid region, a Medicaid beneficiary may choose the organization to provide his or her care. If a Medicaid beneficiary does not make a choice, the Medicaid Agency shall assign the person to a care organization. Medicaid may limit the circumstances under which a Medicaid beneficiary may change care organizations.
- "(c) A regional care organization shall provide Medicaid services to Medicaid enrollees directly or by

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contract with other providers. The regional care organization shall establish an adequate medical service delivery network as determined by the Medicaid Agency. An alternate care provider contracting with Medicaid shall also establish such a network. The Medicaid Agency shall by rule, pursuant to the Alabama Administrative Procedure Act, establish the minimum reimbursement rate for providers. The minimum reimbursement rate shall be the prevailing Medicaid fee-for-service payment schedule, unless otherwise jointly agreed to by a provider and a regional care organization through a contract. The minimum provider reimbursements shall be incorporated into the actuarially sound rate development methodology for each regional care organization. The methodology and resulting rates shall be submitted to the Centers for Medicare and Medicaid Services for approval.

"(d) The Medicaid Agency shall establish by rule procedures for safeguarding against wrongful denial of claims and addressing grievances of enrollees in a regional care organization or an alternate care provider. The procedures shall provide for a timely and meaningful right of appeal, by Medicaid enrollees or their providers, of approvals or denials of care, billing and payment issues, bundling matters, and the provision of health care services. The rules shall include procedures for a fair hearing on all claims or complaints

brought by Medicaid enrollees or other providers that shall include the following:

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- "(1) An immediate appeal to the medical director of the regional care organization, who shall be a primary care physician. The rules of evidence shall not apply. The medical director shall consider the materials submitted on the issue and any oral arguments and render a decision. The medical director's decision shall be binding on the regional care organization.
- "(2) If a patient or provider is dissatisfied with the decision of the medical director, the patient or provider may file a notice of appeal to be heard by a peer review committee. The peer review committee shall be composed of at least three physicians of the same specialty in the region in which the services or matter is at issue. If three physicians cannot be found, then the physicians may be selected outside of the region. The Medicaid Agency shall develop rules regarding the appeal to the peer review committee. The peer review committee's decision shall be binding on the regional care organization.
- "(3) If a patient or the provider is dissatisfied with the decision of the peer review committee, the patient or provider may file a written notice of appeal to the Medicaid Agency. The Medicaid Agency shall adopt rules governing the appeal, which shall include a full evidentiary hearing and a

finding on the record. The Medicaid Agency's decision shall be binding upon the regional care organization. However, a patient or provider may file an appeal in circuit court in the county in which the patient resides, or the county in which the provider provides services.

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"(e) The Medicaid Agency shall by rule establish procedures for addressing grievances of regional care organizations, except as otherwise provided in subsection (g). The grievance procedure shall include an opportunity for a fair hearing before an impartial hearing officer in accordance with the Alabama Administrative Procedure Act, Chapter 22 of Title 41. The state Medicaid Commissioner shall appoint one, or more than one, hearing officer to conduct fair hearings. After each hearing, the findings and recommendations of the hearing officer shall be submitted to the commissioner, who shall make a final decision for the agency. Judicial review of the final decision of the Medicaid Agency may be sought pursuant to the Alabama Administrative Procedure Act. All costs related to development and implementation of the grievance procedure, including the provision of administrative hearings, shall be borne by the Medicaid Agency. The agency may adopt rules for implementing this subsection in accordance with the Alabama Administrative Procedure Act.

"(f) All provider contracts of an organization granted probationary or final certification as a regional care

1	organization shall be subject to review and/or approval of the
2	Medicaid Agency.
3	"(q)(1) If a provider is dissatisfied with any term
4	or provision of the agreement or contract offered by a
5	regional care organization, the provider shall:
6	"a. Seek redress with the regional care
7	organization. In providing redress, the regional care
8	organization shall afford the provider a review by a panel
9	composed of a representative of the regional care
10	organization, the same type of provider, and a representative
11	of the citizen's advisory board appointed by the chairman of
12	the advisory board.
13	"b. After seeking redress with the regional care
14	organization, a provider or the regional care organization who
15	remains dissatisfied may request a review of such disputed
16	term or provision by the Medicaid Agency. The Medicaid Agency
17	shall have 10 days to issue, in writing, its decision
18	regarding the dispute.
19	"c. Within 30 days of receipt of the Medicaid
20	Agency's decision, the provider or the regional care
21	organization may request review of the Medicaid Agency's
22	decision by a contract dispute committee. The committee shall
23	be appointed by the Medicaid Agency and shall be composed of
24	two providers from other Medicaid regions, two representatives
25	of regional care organizations from other Medicaid regions,

and an administrative law judge selected by the Medicaid

Agency. The two providers shall be selected by the affected

provider's professional or business association, and the two

representatives of the regional care organizations shall be

appointed by the Medicaid Agency from a list of four

representatives selected by regional care organizations from

the unaffected Medicaid regions.

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"d. If the provider or the regional care organization is dissatisfied with the decision of the contract dispute committee, the provider or regional care organization shall file an appeal in the Montgomery County Circuit Court within 30 days of the decision.

regarding review of agreements and contracts by the contract dispute committee. The standard of review for the contract dispute committee shall be one of fairness and reasonableness.

The contract dispute committee shall undertake a de novo review and shall consider current and historic reimbursement rates; prevailing terms and standards in contracts currently in existence; and customs, policies, and procedures prevalent in the other Medicaid regions and under the Alabama Medicaid Program. The rules shall include the requirement that the contract dispute committee issue a written ruling on such disputed term or provision stating its findings of fact and conclusions of law no more than 20 days after the dispute is

1	submitted to it. The contract dispute committee's decision
2	shall be binding on the regional care organization and the
3	provider.
4	" $\frac{(f)}{(h)}$ In addition to the foregoing, the Medicaid
5	Agency shall do all of the following:
6	"(1) Establish by rule the criteria for probationary
7	and full certification of regional care organizations.
8	"(2) Establish the quality standards and minimum
9	service delivery network requirements for regional care
10	organizations or alternate care providers to provide care to
11	Medicaid beneficiaries.
12	"(3) Establish by rule and implement quality
13	assurance provisions for each regional care organization.
14	"(4) Adopt and implement, at its discretion,
15	requirements for a regional care organization concerning
16	health information technology, data analytics, quality of
17	care, and care-quality improvement.
18	"(5) Conduct or contract for financial audits of
19	each regional care organization. The audits shall be based on
20	requirements established by the Medicaid Agency by rule or
21	established by law. The audit of each regional care

organization shall be conducted at least every three years or

more frequently if requested by the Medicaid Agency.

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required by federal Medicaid regulations or under terms and conditions imposed by the Centers for Medicare and Medicaid Services in order to assure that payments to the regional care organizations or alternate care providers qualify for federal matching funds.

"\$22-6-155.

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"An initial contract between the Medicaid Agency and a regional care organization shall be for three years, with the option for Medicaid to renew the contract for not more than two additional one-year periods. The Medicaid Agency shall obtain provider input and an independent evaluation of the cost savings, patient outcomes, and quality of care provided by each regional care organization, and obtain the results of each regional care organization's evaluation in time to use the findings to decide whether to enter into another multi-year contract with the regional care organization or change the Medicaid region's care-delivery system.

"\$22-6-163.

"(a) The Legislature declares that collaboration among public payers, private health carriers, third party purchasers, and providers to identify appropriate service delivery systems and reimbursement methods in order to align incentives in support of integrated and coordinated health care delivery is in the best interest of the

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public. Collaboration pursuant to this article is to provide quality health care at the lowest possible cost to Alabama citizens who are Medicaid eligible. The Legislature, therefore, declares that this health care delivery system affirmatively contemplates the foreseeable displacement of competition, such that any anti-competitive effect may be attributed to the state's policy to displace competition in the delivery of a coordinated system of health care for the public benefit. In furtherance of this goal, the Legislature declares its intent to exempt from state anti-trust laws, and provide immunity from federal anti-trust laws through the state action doctrine to, collaborators, regional care organizations, and contractors that are carrying out the state's policy and regulatory program of health care delivery.

- "(b) The Medicaid Agency shall adopt rules to carry out the provisions of this section.
- "(c) Collaborators shall apply with the Medicaid Agency for a certificate in order to collaborate with other entities, individuals, or regional care organizations. The applicant shall describe what entities and persons with whom the applicant intends on collaborating or negotiating, the expected effects of the negotiated contract, and any other information the Medicaid Agency deems fit. The applicant shall certify that the bargaining is in good faith and necessary to meet the legislative intent stated herein. Before commencing

1	cooperatio	n or	negot	iations	describ	ped	in t	his	section,	an
2	entity or	indi	<i>r</i> idual	shall	possess	a	valid	l cei	rtificate	

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- "(1) Upon a sufficient showing that the collaboration is in order to facilitate the development and establishment of the regional care organization or health care payment reforms, the Medicaid Agency shall issue a certificate allowing the collaboration.
- "(2) A certificate shall allow collective negotiations, bargaining, and cooperation among collaborators and regional care organizations.
- "(d) All agreements and contracts <u>of regional care</u> organizations that have received probationary or final <u>certification</u> shall be <u>approved</u> <u>subject to review and/or approval</u> by the Medicaid <u>Commissioner Agency</u>.
- "(e) Should collaborators or a regional care organization be unable to reach an agreement, they may request that the Medicaid Agency intervene and facilitate negotiations.
- "(f) Notwithstanding any other law, the Medicaid Commissioner or the commissioner's designee may engage in any other appropriate state supervision necessary to promote state action immunity under state and federal anti-trust laws, and may inspect or request additional documentation to verify that the Medicaid laws are implemented in accordance with the legislative intent.

1	"(g) The Medicaid Commissioner may convene
2	collaborators and regional care organizations to facilitate
3	the development and establishment of the regional care
4	organizations and health care payment reforms. Any
5	participation by such entities and individuals shall be on a
6	voluntary basis.

- "(h) The Medicaid Agency may do any or all of the 7 8 following:
- "(1) Conduct a survey of the entities and 9 10 individuals concerning payment and delivery reforms.

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- "(2) Collect information from other persons to assist in evaluating the impact of any proposed agreement on the health care marketplace.
- "(3) Convene meetings at a time and place that is convenient for the entities and individuals.
- "(i) To the extent the collaborators and regional care organizations are participating in good faith negotiations, cooperation, bargaining, or contracting in ways that support the intent of establishment of the regional care organization or other health care payment reforms, those state-authorized collaborators and regional care organizations shall be exempt from the anti-trust laws under the state action immunity doctrine.
- "(j) All reports, notes, documents, statements, 25 recommendations, conclusions, or other information submitted

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pursuant to this section, or created pursuant to this section, shall be privileged and confidential, and shall only be used in the exercise of the proper functions of the Medicaid Agency. These confidential records shall not be public records and shall not be subject to disclosure except under HIPAA. Any information subject to civil discovery or production shall be protected by a confidentiality agreement or order. Nothing contained herein shall apply to records made in the ordinary course of business of an individual, corporation, or entity. Documents otherwise available from original sources are not to be construed as immune from discovery or used in any civil proceedings merely because they were submitted pursuant to this section. Nothing in this subsection or article shall apply to prohibit the disclosure of any information that is required to be released to the United States government or any subdivision thereof. The Medicaid Agency, in its sole discretion, but with input from potential collaborators, may promulgate rules to make limited exceptions to this immunity and confidentiality for the disclosure of information. The exceptions created by the Medicaid Agency shall be narrowly construed.

"(k) The Medicaid Agency shall actively monitor agreements approved under this article to ensure that a collaborator's or regional care organization's performance under the agreement remains in compliance with the conditions

of approval. Upon request and not less than annually, a 1 2 collaborator or regional care organization shall provide 3 information regarding agreement compliance. The Medicaid Agency may revoke the agreement upon a finding that 4 5 performance pursuant to the agreement is not in substantial compliance with the terms of the contract. Any entity or 6 7 individual aggrieved by any final decision regarding contracts under this section that are approved by the Medicaid Agency, or presented to the Medicaid Agency, may take direct judicial 9 10 appeal as provided for judicial review of final decisions in 11 the Administrative Procedure Act.

"\$22-6-164.

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"The Medicaid Agency may adopt rules necessary to implement this article and to administer the Alabama Medicaid Program in a manner consistent with state and federal law, as well as any State Plan approved by the Centers for Medicare and Medicaid Services."

Section 2. This act shall become effective immediately following its passage and approval by the Governor, or its otherwise becoming law.

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4	President and Presiding Officer of the Senate
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6	Speaker of the House of Representatives
7 8 9 10 11 12 13 14	SB459 Senate 20-MAR-14 I hereby certify that the within Act originated in and passed the Senate, as amended. Patrick Harris Secretary
15	
16 17 18	House of Representatives Passed: 02-APR-14
20 21	By: Senator Reed